



PANAMA

BACKGROUND NOTES

Population: 1.5 million (1973 est.)

Capital: Panama City

The Republic of Panama occupies the southern end of the isthmus which forms the land connection between North and South America. It is bounded on the west by Costa Rica, on the north by the Caribbean Sea, on the east by Colombia, and on the south by the Pacific Ocean. The country has a total area of 29,208 square miles, slightly smaller than South Carolina. Panama is bisected by a 10-mile-wide strip of territory known as the Canal Zone, which, by grant in perpetuity from Panama, is under the exclusive jurisdiction of the United States.

Panama's topography is in large part mountainous and hilly with two main mountain ranges forming the backbone of the isthmus. There are coastal lowlands on both sides of the isthmus. The Caribbean side and eastern Panama are covered almost entirely by heavy tropical rain forests. The climate is tropical, and rainfall is heavy but seasonal. The Caribbean side has a much higher precipitation and a less well-defined dry season than the Pacific side.

The flag is divided into four rectangles. The lower left rectangle is blue; the upper right red; the upper left is white with a blue star in the middle; and the lower right white with a red star in the middle.

THE PEOPLE

Panama's population of 1.5 million is the smallest of the Latin American countries. It has a density of about 51 persons per square mile and an average annual growth rate of 3.0 percent. One-third of the people live in the two major cities of Panama City (455,027) and Colon (68,000).

Panamanians are predominantly Roman Catholic. The culture, customs, and language of the Panamanians are basically Spanish. English is widely understood in Panama because of the proximity of the Canal Zone. About 85 percent of the people more than 10 years of age can read and write.

Antilleans (immigrants from the West Indies and their descendants), many of whom speak English as their first language and are Protestant, and indigenous Indians constitute the two principal ethnic minorities.

HISTORY

Columbus sighted Panama in 1501, and 12 years later Vasco Nuñez de Balboa crossed the isthmus and "discovered" the Pacific Ocean. The Spanish maintained ports on the Isthmus from which expeditions went into Peru and Central America to find much of the wealth of the Spanish Empire.

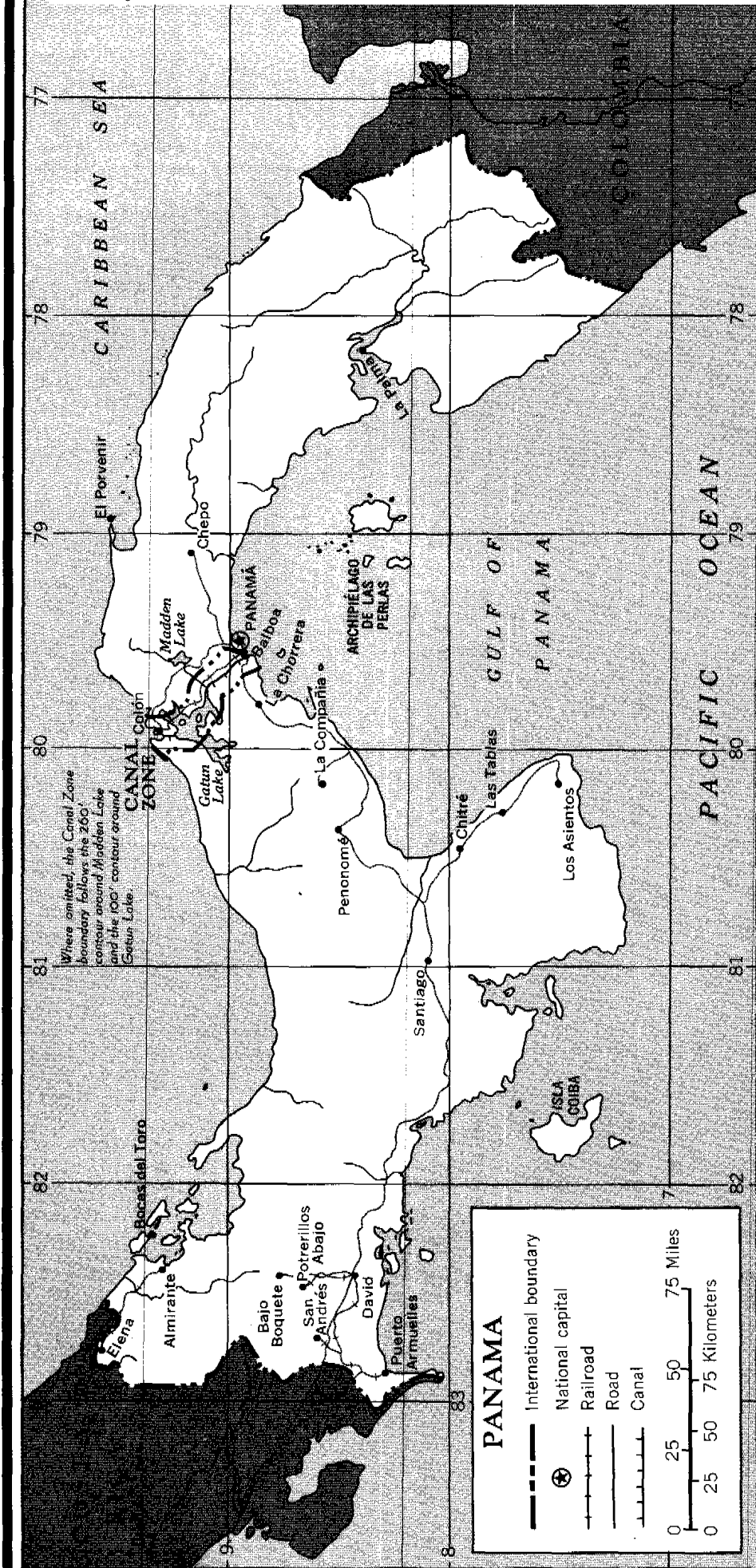
Panama achieved independence from Spain in 1821 and thereafter joined the Confederation of Greater Colombia. Panama proclaimed its own independence in 1903 after Colombia rejected a treaty enabling the United States to build the Isthmian Canal.

A relatively small, elite group dominated Panamanian political and economic life until the election of President Arnulfo Arias and his inauguration on October 1, 1968. Ten days later the National Guard, which had rarely intervened directly in political matters, overthrew President Arias and established the Provisional Junta Government.

The National Guard Commander, Brigadier General Omar Torrijos, was the ultimate power in the Junta Government, although in 1969 two civilians, Demetrio Lakas and Arturo Sucre, were appointed as President and Vice President of the junta. Elected and constitutional government was restored in October 1972, following nation-wide elections in August for an Assembly of 505 Community Representatives. This body approved a revision of the 1946 constitution and elected junta members Lakas and Sucre as President and Vice President, respectively. It also vested extraordinary executive powers in Brigadier General Torrijos for a six-year period.

GOVERNMENT & POLITICAL CONDITIONS

Panama's Constitution of 1972 separates government into legislative, executive, and judicial branches. The legislative branch is made up of an Assembly of Community Representatives which has one 30-day session each year. The Assembly is composed of one representative elected by universal adult suffrage for a 6-year term from each of the 505 electoral districts. A Legislative Council performs legislative functions when the Assembly is not in session. The Council is made up of Brigadier General Torrijos, the President, the Vice President, the members of the cabinet,



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eight members from the Assembly, and the President of the Assembly. The Judicial Branch is organized under a nine-member Supreme Court. The Executive Branch is composed of a President and a Vice President elected for six-year terms by the Assembly. The President is the Chief of State. In October 1972 the Assembly vested in Brigadier General Torrijos special executive powers making him, in effect, head of government with the authority to approve contracts and agreements, appoint cabinet ministers, and conduct foreign affairs.

For administrative purposes the country is divided into nine Provinces and one Territory, each having a Governor and a Deputy Governor appointed by the President.

The National Guard, which exercises police and military functions, is composed of about 7,000 men. It is the only armed force in the country.

Since the 1968 coup there has been a moratorium on organized political activity, which was formalized in March 1969 when the junta declared all parties "extinct" pending revision of the electoral code and "restructuring" of the party system.

The Panamanian Government has stressed political and economic objectives favorable to the lower and middle classes and has endeavored to carry out programs to win support from these classes.

ECONOMY

The economy has been oriented for centuries toward servicing transit trade and international commerce. In the past 50 years the major force in shaping the country's economic development has been the demand for goods and services generated by the Panama Canal and the Canal Zone. The greater part of the activity has been in the terminal cities of Colon and Panama City, where an advanced service-centered, commercially oriented, urban economy has been developed.

Panama has achieved rapid economic growth in the past decade. The average annual increase in Panama's real gross domestic product (GDP) was about 8 percent. In 1970, current price GDP totalled \$1 billion and per capita GDP \$729. Per capita GDP averaged a 4.5 percent growth rate between 1966 and 1970. Progress, however, has been heavily concentrated in the urban areas. Nearly half of the population still is engaged in subsistence agriculture and has little contact with the money economy. Agricultural production and income are inadequate as a source of supply to the nation and as a market for industrial products. Thus the market economy of Panama continues to depend to a considerable degree on external demand originating from the Panama Canal and Canal Zone.

The United States is Panama's principal trading partner. In 1971 about 48 percent of Panama's exports went to the United States, and the United States supplied 35 percent of Panama's imports. Bananas constituted 56 percent of Panama's commodity exports, refined petroleum 21 percent. In 1971 merchandise exports amounted to \$136.4

million, and imports to \$354.8 million, but this deficit was partly offset by earnings from sale of goods and services to the Canal Zone. Major imports include machinery, chemical products, and foodstuffs.

Located at Colon is the economically important Free Zone, which provides warehousing and packaging facilities for companies distributing goods to all parts of Latin America. A single refinery at Colon accounts for all of Panama's petroleum exports; it depends entirely on imported crude oil, since none is produced locally.

The United States provided a total of \$198.7 million in official development assistance to Panama from FY 1962 through FY 1972, principally through the Agency for International Development. In addition, the U.S. Export-Import Bank has provided \$35 million in long-term economic loans. Panama has also received development loans from the International Bank of Reconstruction and Development (World Bank) and from the Inter-American Development Bank.

Early in 1970 the Government published a long-range strategy for national development which emphasizes the need for correcting the imbalance between the urbanized metropolitan area near the Panama Canal and Panama's poorly developed interior regions. To provide the resources for this task, the Government has increased internal savings through new tax measures and has sought increased external assistance from international lending agencies and private financial institutions.

Panama Canal & Canal Zone

The focal point of Panama's foreign policy is the Panama Canal. The U.S. Government administers the Panama Canal and the Canal Zone in accordance with the treaty of 1903, as amended in 1936 and 1955. The canal opened in 1914, and since that time the United States has operated, maintained, and defended it. The Panama Canal enterprise is divided into two agencies: the Canal Zone Government, responsible for all civilian government functions in the zone, and the Panama Canal Company, which operates the waterway and supporting installations. These agencies are under the direction of the Governor, who is appointed by the U.S. President. He administers the Canal Zone Government and is *ex officio* director and president of the Panama Canal Company. Residence in the zone is restricted by treaty to persons connected with the operation, maintenance, or defense of the canal.

Panamanians are dissatisfied with certain aspects of the 1903 treaty and its amendments, and a priority Panamanian goal is the conclusion of new canal treaties. The riots of January 1964 brought to a head this longstanding dissatisfaction and caused Panama to break diplomatic relations with the United States. Upon the reestablishment of relations in April 1964 the two Governments agreed to appoint Special Ambassadors with sufficient powers to seek the prompt elimination of the causes of conflict between the two countries.

June 1967 the United States and Panamanian negotiators completed preparation of three draft treaties dealing with the existing lock canal, a possible sea level canal in Panama, and defense matters. These draft treaties were never acted upon by either Government, and in 1970 the Panamanian Government publicly rejected them.

Intensive negotiations for a new Panama Canal treaty to replace the Treaty of 1903 resumed in June 1971. By the year's end, all major treaty issues had been explored, but it was evident that agreement would require further intensive negotiation. During 1972, the attention of the Panamanian leadership was directed primarily to the political restructuring of the country and few negotiating sessions were held. By concluding a new treaty which protects U.S. interests while being responsive to Panamanian aspirations, we seek to reduce the tensions surrounding the Canal issue in our relationships with Panama and to provide a more satisfactory environment for the operation of the Canal. Primary U.S. objectives are the rights to continue to operate and defend the Canal for an extended period of time and to obtain an option to build a sea-level canal. Until a new canal treaty is ratified, the 1903 Treaty and its amendments continue in force.

There has long been discussion of means for expanding the limited capacity and size of the existing canal. The U.S. Congress authorized the creation of the Atlantic-Pacific Interoceanic Canal Study Commission in 1964 to explore various possibilities in this regard. The five Commissioners concluded in their report to the President in December 1970 that a canal system should be established to operate the existing canal and a new sea-level canal to be constructed near the present one in time to supply additional capacity by the end of the century. Their recommendations will be an important consideration in determining the future of the Panama Canal.

FOREIGN RELATIONS

The Government of Panama maintains diplomatic relations with a wide range of governments. Outside the Western hemisphere, Panama's closest relations are with Western European nations and Japan. It has in recent years strengthened its relations with the five Central American countries.

Panama also maintains relations with some eastern European countries. It does not maintain relations with the Soviet Union or Cuba, although some informal contacts, such as exchange of cultural and sports groups have occurred. Very recently, it is taking steps to increase its ties with African nations. It is a member of the United Nations and several of its specialized agencies.

During 1972-73, Panama had a temporary seat on the Security Council, and in March 1973 the Security Council met in Panama City. It is an

States (OAS).

U. S. POLICY

The United States seeks to maintain a friendly relationship with Panama and cooperates through its own and international agencies with the Panamanian Government in the promotion of economic, political, and social development. The United States desires to change the Panama Canal treaty relationship so that it reflects present day realities and is mutually satisfactory to both nations.

PRINCIPAL GOVERNMENT OFFICIALS

Head of Government—Brig. Gen. Omar TORRIJOS
President—Demetrio B. LAKAS

Minister of Foreign Affairs—Juan Antonio TACK
Ambassador to the U.S.—Nicolas GONZALEZ REVILLA

Ambassador to the U.N.—Aquilino BOYD

Ambassador to the OAS—Nander PITTY

Panama maintains an Embassy in the United States at 2862 McGill Terrace, N.W., Washington, D.C. 20008.

PRINCIPAL U. S. OFFICIALS

Ambassador—Robert M. Sayre

Counselor of Embassy—Herbert B. Thompson

Director, U.S. AID Mission—Alexander Firfer
Public Affairs Officer (USIS)—Melvin C. Niswander

Consul, Panama City—George O. Huey

Governor of the Canal Zone—Maj. Gen. David S. Parker, USA

Commander in Chief, Southern Command—Gen. William B. Rosson, USA

The U.S. Embassy in Panama is located at Avenida Balboa at 38th Street, Panama City.

READING LIST

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